

**MORRIS KENNEDY
ATTORNEY AT LAW
2332 OLD HICKORY LANE
LEXINGTON KY 40515**

**(859) 245-1546
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April 25, 2006

Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort KY 40602-0615

RECEIVED
APR 26 2006
PUBLIC SERVICE
COMMISSION

Re: In the Matter of Cow Creek Gas, Inc.'s Application for Rate Adjustment.

Dear Ms. O'Donnell:

Case No. 2006-00171

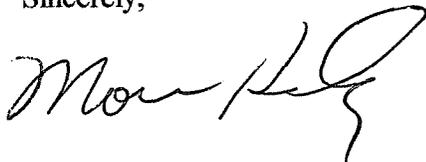
Enclosed please find an original and ten (10) copies of Cow Creek Gas, Inc.'s "Application for Rate Adjustment (Alternative Rate Filing)". This Application seeks a rate increase solely to recover increased gas supply costs. A copy of a letter agreement dated March 20, 2006, between the utility and its gas supplier is attached in support of the Application. Copies of the required customer notice and the Articles of Incorporation are also enclosed for filing.

The utility requests that this rate adjustment be placed into effect at the earliest possible time, consistent with the Commission's regulations.

As required, a copy of this filing is being served upon the Public Service Litigation Branch, Office of the Attorney General.

Should you require anything further in this regard, please do not hesitate to contact me.

Sincerely,



Morris Kennedy

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

Case No. 2006-00171

Cow Creek Gas Inc.
Name of Utility
134 Mims Branch
Pikeville, KY 41501
Business Mailing Address
Telephone Number 606 / 432-0526
Area Code Number

I. Basic Information

NAME, TITLE, ADDRESS and Telephone number of the person to whom correspondence or communications concerning this application should be directed:

Name: Jerome A. Kanney, President
Address: 134 Mims Branch
Pikeville, KY 41501
Telephone Number: 606 / 437-0526

- | | | | |
|----|---|-------|----|
| 1) | Do you have 500 customers or fewer? | (Yes) | No |
| 2) | Do you have \$300,000 in Gross Annual Revenue or less? | (Yes) | No |
| 3) | Has the Utility filed an annual report with this Commission for the past year and the two previous years? | (Yes) | No |
| 4) | Are the utility's records kept separate from any other commonly-owned enterprise? | (Yes) | No |

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for the 12 months ending December 31, 2004.

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

<u>Item Per Annual Report</u>	<u>Amount Per Annual Report</u>	<u>Increase (Decrease)</u>	<u>Adjusted Amount</u>
<u>Revenues:</u>			
Residential Sales	\$18,012.00	\$18,649.00	\$36,661.00
Other Gas Revenue	365.00	0.00	365.00
 Total Revenues	 <u>\$ 18,377.00</u>	 <u>\$ 18,649.00</u>	 <u>\$37,026.00</u>
<u>Expenses:</u>			
Gas Purchases	\$ 6,161.00	\$18,649.00	\$24,810.00
Gas Operation & Maintenance Exp.	4,006.00	0.00	4,006.00
Depreciation Exp.	2,260.00	0.00	2,260.00
Amortization & Depletion	(1,627.00)	0.00	(1627.00)
Taxes Other than Income	534.00	0.00	534.00
 Total Expenses	 <u>\$ 11,334.00</u>	 <u>\$ 18,649.00</u>	 <u>\$ 29,983.00</u>
 Revenues Less Expenses	 <u>\$ 7,043.00</u>	 <u>\$ 0.00</u>	 <u>\$7,043.00</u>

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

Please see the attached letter agreement between Interstate Natural Gas Co. and Cow Creek Gas Inc. for cost justification.

- c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

<u>Customer Class</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
Residential	\$7.26	\$14.66	101.9%

III. Other Information

a. Please complete the following questions:

- 1) Please describe any events or occurrences, which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

Please see the attached letter agreement from Interstate Natural Gas Company to Cow Creek Gas Co. Inc.

2) Total number of Customers as of the date of filing: 61

3) Total amount of increased revenue requested: \$18,649.00

4) Please circle Yes or No:

- a) Does the utility have any outstanding indebtedness? (Yes) No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.

*No documentation of an amount of \$5188.00 shown as "long-term debt to the shareholders" when company was purchased. No debt service made. Not included in rates.

- b) Were all revenues and expenses listed in the Annual Report for 2004 incurred and collected from January 1 to December 31 of that year? (Yes) No

If no, list total revenues and total expenses incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.

5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 2004 and the amount shown on this schedule. *No depreciation schedule. No depreciation included in rates.

6) If utility is a sewer utility:

a) Attach a copy of the latest State and Federal Income Tax Returns.

b) How much of the utility plant was recovered through the sale of lots or other contributions _____ \$ or %? (If unknown, state the reason).

b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

Please see the letter agreement between Interstate Natural Gas Company & Cow Creek Gas Inc.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its articles of incorporation must be attached to this application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding.

b. An original and 10 copies of the completed application should be sent to:

Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

Telephone: 502 / 564 – 3940

c. One Copy of the completed application should also be sent at the same time to:

Public Service Litigation Branch
Office of the Attorney General
Post Office Box 2000
Frankfort, Kentucky 40602-2000

2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation.

3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502 / 564 – 3940.

4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed	<u>James A. Hanover President</u>
Title	<u>President</u>
Date	<u>4-10-06</u>

**INTERSTATE NATURAL GAS COMPANY
347 THOMPSON ROAD
PO BOX 3385
PIKEVILLE, KY 41502
(606) 437-6147**

March 20, 2006

Cow Creek Gas, Inc.
134 Mims Branch
Pikeville, KY 41501

Gentlemen:

This letter sets forth the agreement between Interstate Natural Gas Company ("Seller") and Cow Creek Gas, Inc. ("Buyer") as to the purchase price for natural gas to be paid by Buyer to Seller. Effective immediately, Buyer shall pay to Seller \$10 per Mcf for each Mcf of natural gas delivered by Seller into mutually agreed upon delivery points on Buyer's pipeline system. As we have agreed, this price reflects current market conditions and has been arrived at after due consideration of the increased costs of producing and delivering natural gas and of the increased value of natural gas in the wholesale market.

Should the foregoing accurately reflect Buyer's agreement as to the price to be paid to Seller for natural gas delivered on and after this date, please so indicate by executing this letter agreement on the space provided below.

Sincerely,



Dennis Rohrer, General Partner

AGREED:

Cow Creek Gas, Inc.

By: *James A. Henry*

Its: *President*

COW CREEK GAS, INC.
134 Mims Branch
PIKEVILLE, KY 41501
(606) 432-0526

04/07/2006

NOTICE OF PROPOSED RATE CHANGE

Cow Creek Gas Inc. has filed a request with the Public Service Commission to increase its rates. The rates contained in this notice are the rates proposed by Cow Creek Gas Inc. because the rates have remained unchanged for years and due to escalating costs, it is not economically possible to provide gas at the existing rates. However, the Public Service Commission may order rates to be charged that differ from the rates in this notice.

Any corporation, association, body politic, or person may request leave to intervene by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant.

Copies of the application may be obtained at no charge from Cow Creek Gas Inc., at 134 Mims Branch, Pikeville, Kentucky 41501. Upon request from an intervenor, the applicant shall furnish to an intervenor a copy of the application and supporting documents. A copy of the request in rates is available for public inspection at this address.

(A)

Present Rate \$7.26/month	Proposed Rate \$14.66/ Mcf	Estimated Monthly Increase per Customer per Mcf \$7.40
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(A) The present rate has been in effect since December 1997.

MORRIS KENNEDY
ATTORNEY AT LAW
2332 OLD HICKORY LANE
LEXINGTON KY 40515

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APR 26 2006

PUBLIC SERVICE
COMMISSION

BETH O'DONNELL
EXECUTIVE DIRECTOR
PUBLIC SERVICE COMMISSION
P. O. BOX 615
FRANKFORT KY 40602-0615

